

# 2007 Extremes:

## Dow, Nikkei, Gold, Silver, Yen, Dollar



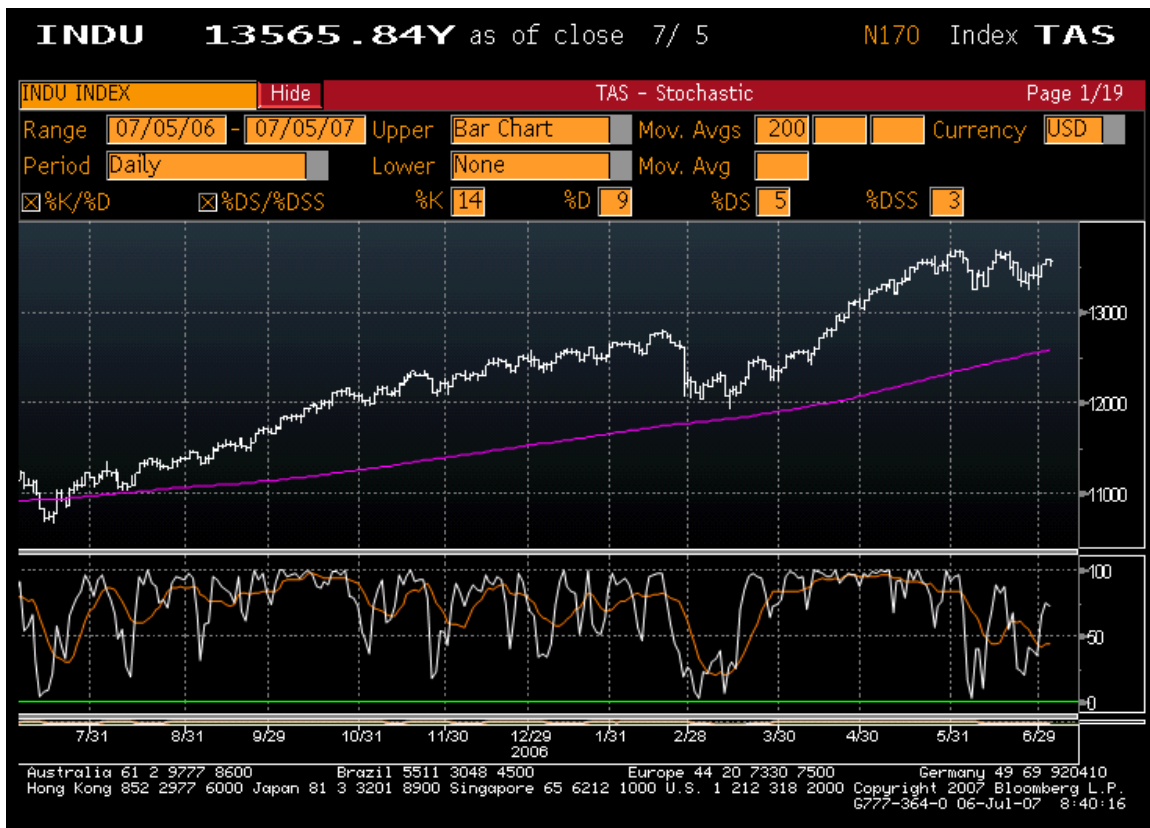
**July 07, 2007**

### **NEW YORK**

**Dow Jones:**

**"The daily Nikkei chart below allows for a minor new high...", is a comment that holds true here for the Dow. A minor new high would put in place the ugliest of all triple-diverges and set the stage for an award-winning and all-debilitating bear crash that will disillusion investors for two whole generations, as is more likely the culture of aversion in Europe regarding equities after a bloodbath.**

**Please scroll down.**



**When market letter writers didn't think it fashionable, I wrote of the impeachment of Bush. Did I mention Nostradamus? Yes, but in a cute way, since rational minds may not give credence to clairvoyance. Did I mention that the "third anti-Christ" is supposed to have "bus" as middle letters, according to him? Or did I mention that this "ant-Christ" who would be "replaced" was to have been a "pawn?" No, I did not.**

**What I did write was that the lengthy list of crimes would only be taken out of the drawer, once it would be time to do some PR work. Change the name on the door, say you're sorry, make no reparations (for a million dead lives?), but change the image. It's a winner, I tell you. Recent polls now give US politicians the right of way to proceed. They are loath to do it, since it lowers the esteem for that government but, as I write here, it is used to show righteousness...and continue on.**

**The following comments from the June report remind of how critical it is for hedgers and speculators to know how to time the VIX when trying to buy Dow puts. The Dow is the index of choice in these reports and discussion of the VIX is only in that context.**

It is noteworthy that the Dow's all-time highs will not have been confirmed by a new low in the VIX, which runs countertrend to it. This has occurred before and the Dow did follow-through to the downside, without inspiration from a new low in the VIX.

After the two re-printed paragraphs below, note what the VIX (S&P Volatility Index) did indeed go on to do over the recent past.

**"The pattern of the VIX (above) indicates a higher low, while also reflecting a dead stop at, and pullback to, the 200-day moving average, up-trend buy-point, and neckline support level.**

**"This isn't just a contrary indicator that refines the timing for entering a Dow short position, it also helps time the entry into put option premium levels. Having closely tracked the activity of the latter, I can attest that activity in very recent days and hours indicates the capitulation that one hopes to see against a backdrop of little upward index progress relative to the size of put premium decline, the occurrence of which invites the seasoned speculator and hedger with open arms."**



### **Conclusion and strategy:**

Everything points to a summer peak that will make investors wonder why they ever returned to the markets that they had sworn off after 2002. Impeachment and political instability, along with higher oil prices will be blamed as the triggers. Of course, the media will trot out the old stories too (housing, the bankrupt consumer, etc.). Don't expect anything original. Just the investor banging his head against the wall, "How did I do this AGAIN?" As another put entry point nears, continue to build put positions of longer and longer date than those previously held. Dow puts should be purchased whenever the VIX hits another buy point in its ongoing up-trend. This is at hand!

### **OIL (special):**

As oil turned at \$80, I called for lower prices, but then turned bullish as the subsequent lows were being approached. Oil turned at the 200-week moving average (1st below), at which point I again labeled the chart as having a final leg up left. I wrote often that a final 5<sup>th</sup>-wave move in oil would probably proximate a double top. Now, however, I see a greater chance of new and higher highs than I had before.

Impeachment. Oil. Mid-East strife. The worst of all worlds: **The 70's with 30's consumer savings levels.** From the metals, to the currencies, to equities - I truly believe that no one will be exempt from the shock of the levels to which prices are going.



**The following shows us how near \$80 now is, not to mention the strengthening momentum of the stochastic and oil's price.**



**Good fortune to all,**

**Sid Klein**

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